



Foreign Agricultural Service

**GAIN Report**

Global Agriculture Information Network

Voluntary Report - public distribution

Date: 2/26/2003

GAIN Report #JA3504

## Japan

### Market Development Reports

#### Food Business Line

*Periodic Press Translations from ATO Tokyo*

**2003**

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**Report Highlights:** *Sogo Department Store* plans to introduce a new upscale supermarket concept; *McDonald's Japan* responds to losses resulting from months of declining sales; Traditional food service sector outlets in Japan increase efforts to compete with the proliferation of new players in the *sozai* side dish market; Non-alcoholic beverages are increasing in popularity in Japan; A consumer survey on household expenditures reveals a shift toward more healthy food items; *Zen-no* will introduce a certification and chemical residue testing procedure for "Koshihikari" premium rice and; *Ajinomoto* plans to resume sales of imported frozen green soybeans from China.

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Includes PSD changes: No  
Includes Trade Matrix: No  
Unscheduled Report  
Tokyo ATO [JA2], JA



# Food Business Line

Periodic Press Translations from ATO Tokyo

Vol III, Issue 26 February 1-15, 2003

## Retail/Wholesale

- Beginning in February, the operating company of *Sogo Department Store* plans to renovate its mid-sized outlets in the Tokyo Metropolitan area. *Sogo* plans to reinforce the attractiveness of its food and apparel floors by introducing a new upscale food supermarkets concept with unique *sozai* (take out) side dish shops. *Sogo* will also offer upscale apparel for women. (a 2/8)

## Food Service

- *McDonald's Japan* announced that it will modify its pricing by raising the cost of its single cheeseburger, its hotdog sandwich and several varieties of its cheaper set menus (combos). Last year, *McDonald's Japan* experienced its first deficit in 29 years which drove the firm to reconsider its pricing strategy. Overall sales of its outlets in January are expected to decline by 5 to 10% compared to a year ago, resulting in 16 consecutive months of declining sales. *McDonald's Japan* also plans to close 176 shops by the end of this year. (a 2/5)
- Food service outlets are competing with *sozai* side dish shops and *depachika* (department store basement food arcades) by expanding menus and improving services. For example, both *Denny's Japan* and *Royal* have introduced reasonably priced dinner menus. Fast food shops are also starting to sell competitively priced supper menus especially targeted for working men and women. The *Tsubohachi* pub restaurant chain is even offering free delivery services between their suburban outlet locations and the train stations for their customers after they have completed their meal. (a 2/8)

*ATO Comments: As part of their efforts to lure customers back to restaurant dining, food service establishments have also been offering unlimited drinks for one set price, in addition to what they would pay for their meals. Although, customers must serve themselves, they can enjoy a selection of a variety of soft drinks, juices, coffee and tea. This also gives restaurants the advantage of reducing the amount of man-hours devoted to servicing tables for drinks.*

## Food Processing/New Products/Market Trends

- *Kirin Brewery* has just completed arrangements with *The Wine Group* to obtain the right to sell the firm's "Franzia" brand wines in Japan. Sales under *Kirin Brewery* will start this spring. Marketing activities in Japan for this wine had been handled exclusively by *Suntory* since 2000, which recorded the second highest sales for any single wine product in Japan. Since *Suntory* recently completed a deal last autumn with *E&J Gallo* to handle its products in Japan, *The Wine Group* decided to abandon its partnership with *Suntory* and switch to *Kirin*. These moves reflect the government's relaxation of liquor sales regulations in September, which allows many more retailers and beer manufacturers to sell liquor. (a 2/6)
- Non-alcoholic beverage is gaining more popularity. In addition to sales for non-alcoholic beer, sales for both non-alcoholic wines and drinks such as peach-flavored sparkling wine are increasing. Also increasing in popularity is *chu-hai*, which is *shochu* mixed with soda. *Shochu*

is a low alcohol Japanese beverage made by distilling items like sweet potato, rice or buckwheat. In addition to taste, another advantage that non-alcoholic wines have is that they contain half the calories of normal wine while maintaining comparable levels of polyphenol. (a 2/7)

- *Kagome* plans to increase the production of "Kagome Deli", a retort packaged rice product which includes a retort topping. *Kagome* now focuses the core of their business on this product as a result of its popularity. The market for the "Kagome Deli" retort rice product is growing, reaching approximately 10 billion yen in 2002 (US\$83 million), according to the *Japan Economic Newspaper*. (a 2/9)
- According to the Public Management Ministry's household expenditure survey completed on February 7, 2003, total household expenditure for food in 2002 declined only slightly by 0.3% compared to 2001. However, it was about a 10% decline from 1990 (during the period of the bubble economy). The survey also revealed that consumers have shifted expenditures toward more healthy food items which explains increased purchases for items like dairy products, vinegar and sticky *natto* beans (a fermented soybean product). Popularity for traditional canned food products is declining. Consumer preferences have also increased for low-priced items such as *happoshu* low-malt beers. (f 2/13)

### **Food Safety/Consumer Awareness**

- In an aim to protect the prestige of "Koshihikari" premium rice, Niigata prefecture's *Zen-no* (The National Federation of Agricultural Cooperative Associations) plans to begin conducting DNA certification and agricultural chemical residue testing on "Koshihikari" rice products produced in 2003. In addition to checking whether or not rice labeled "Koshihikari" is tainted by other varieties, *Zen-no* plans to conduct tests on products labeled by rice wholesalers as being 100% "Koshihikari" and produced in Niigata Prefecture. If a discrepancy is detected between the product's label and its content, *Zen-no* will contact the wholesaler and pursue the matter. If the test shows the level of agricultural chemical residue to be in excess of the amount allowed by the government, *Zen-no* will move to block the rice from the market. (a 2/6)
- In mid-August of this year, *Ajinomoto* plans to resume the sales of frozen green soybeans imported from China. Frozen vegetables from China disappeared from the retail store shelves last year after the detection of excessive agricultural chemicals. *Ajinomoto* announced that they worked with their Chinese supplier to reinforce its cultivation practices following HACCP-style methods which have been compiled in their own manual. The new product will also be traceable back to its production source. (b 2/11)

### **ATO/Cooperator/Competitor Activities/Trade Shows**

- No Significant Articles

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#### **Sources**

- |                                  |   |
|----------------------------------|---|
| (a) The Japan Economic Newspaper | (b) The Nikkei Marketing Journal        |
| (c) The Japan Food Journal       | (d) The Beverage & Food News Commentary |
| (e) The Japan Food News          | (f) The Food Industry News              |

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